

The Affordable Way to Launch a New Business

MAY 28, 2010

Do you want to open your own business without emptying your bank account? Read these 10 helpful tips on how aspiring business owners can "start smart."

I've always found it amusing that the two words most associated with starting a business without spending a fortune are associated with shoes: starting on a *shoestring* or *bootstrapping* your startup. I've never been a fan of either phrase, so instead let's talk about *starting smart*.

I've been getting a lot of questions lately on how to start a business without emptying out your bank account. Starting smart is the affordable way to start a business. It's about staying out of debt (if possible) and exposing yourself to less financial risk. Another part of starting smart is to invest any profits you (hopefully) make back into your business.

I can't think of a better time to take this approach, so here are my 10 tips for starting smart:

1. **Start small.** I'm not trying to stop you from dreaming big, but in today's challenging economy, you might be better off deciding to start a low-cost business. Instead of opening a retail store, think about opening an online retail shop. Most brick-and-mortar startups require heavy cash outlays to get going. Service businesses generally cost less to start than retail concerns.
2. **Borrow from the bank of you.** As we all know, capital is nearly impossible for startup entrepreneurs to get from banks and other lending institutions. So you'll likely need to find the money on your own. Can you tap into any savings or retirement accounts? Do you have anything of value you can sell? Can any of your friends or family members lend you the money?
3. **Start part-time.** Unfortunately, starting smart all too often means not paying yourself a salary -- at least at first. Think about keeping your day job and starting your business part-time. This will not only keep money flowing to pay your bills, but will enable you to (hopefully) have health insurance as well.
4. **Economize at home.** When you're just starting out, it's all about cash flow. Not just for the business, but also to cover your personal expenses. Create a personal budget and stick to it. Look for places to cut spending, such as eating out or buying new clothes. Become a bargain shopper.
5. **Shop around.** Speaking of shopping, aim to spend as little as possible when you start your business. Be smart about this, though. Buying cheap often means buying often. Or upgrading a nearly new computer, because you're not getting the power you need to be productive. Do you need a dedicated office, or can you work out of your home at first? If you will be seeing

clients in your office, you'll want to make a good impression, but they'll never know if the office chairs they are sitting in are second hand.

6. **Join and save.** You can save money by signing up for a membership at a big discount store like Costco. Some credit cards offer significant discounts on office products, travel expenses, and more. Consider joining your local chamber of commerce, your industry trade association, or even your college alumni group. Most offer discounts on products and services to their members.
7. **Take advantage of technology.** Software programs like QuickBooks can help you manage your finances and track your cash flow. Banking online can save you time and money. Cloud computing can give you access to hardware and software that was previously cost-prohibitive.
8. **Be vigilant.** The economy has caused many businesses to stretch out their pay cycles. For many, net 30 is a thing of the past. Starting smart means staying on top of your invoices and, if you don't get paid on time, following up (politely) to see what's going on. Depending on your business, you can try offering discounts to those customers who pay early.
9. **Barter.** Bartering your products or services can save a startup business owner hundreds or even thousands of dollars. You can visit barter exchange sites online or just strike deals with other business owners. Make sure you create a formal agreement explaining what each side gets. And keep meticulous records for Revenue Canada.
10. **Pick the low-hanging fruit.** You'll earn money faster if you focus your efforts on landing the easy stuff first. Look for projects that won't cost you a fortune to complete. This enables you to establish your reputation and build your brand, which is an important factor when going after larger, long-term projects.

Although these tips are aimed at the startup crowd, most established business owners would do well these days to adopt a starting smart mentality. Thinking like a startup keeps the focus on cash flow, productivity and practical innovation -- things all entrepreneurs can benefit from, no matter what stage our businesses are in.